Clean Power Income Fund™

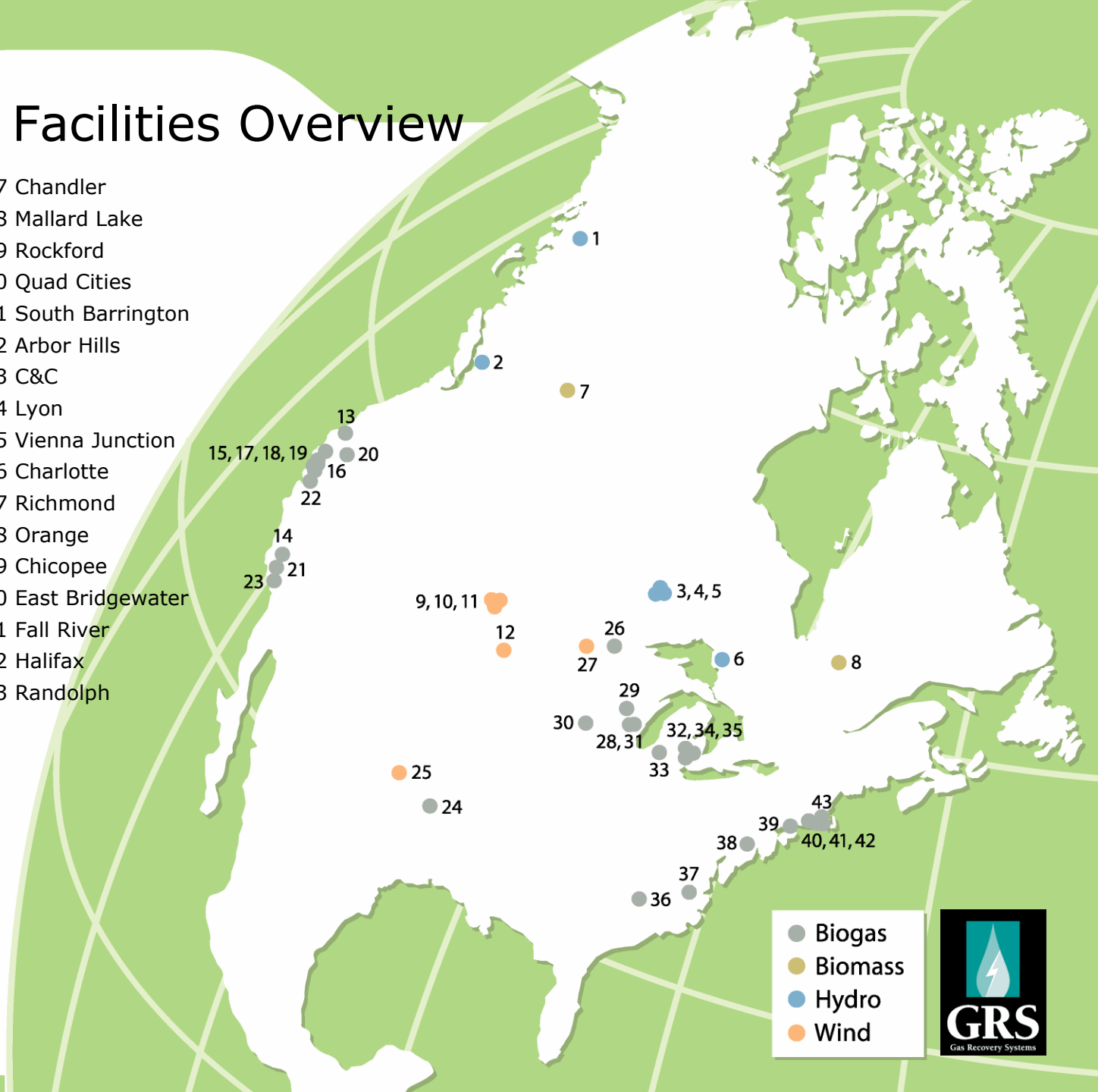
May 4, 2004
CEC Workshop on Renewables

Clean Power

- 100% renewable power focus
  - Assets 58% US/42% Canadian
  - US head office is Livermore, CA
- Listed on Toronto Stock Exchange (CLE.UN)
  - Widely held
  - Pays out monthly dividends equal to about 10% p.a. to unitholders
- Committed to environmental business model
  - 2003 Clean Power's net emission reductions = 6 million tonnes of CO_2 equivalent
- GRS is 2nd largest LFG generator in US
  - Includes 29 plants of which 11 in California

Clean Power Facilities Overview

1 Hluey Lakes
2 Sechelt
3 Dryden/Wainwright
4 Dryden/Eagle River
5 Dryden/Mackenzie Falls
6 Wawatay
7 Whitecourt
8 Chapais
9 Foote Creek II
10 Foote Creek III
11 Foote Creek IV
12 Peetz Table
13 American Canyon
14 Coyote Canyon
15 Guadalupe
16 Menlo Park
17 Newby Island I
18 Newby Island II
19 Newby Island III
20 Sacramento
21 San Marcos
22 Santa Cruz
23 Sycamore
24 Sunset Farms
25 Big Spring
26 Pine Bend
27 Chandler
28 Mallard Lake
29 Rockford
30 Quad Cities
31 South Barrington
32 Arbor Hills
33 C&C
34 Lyon
35 Vienna Junction
36 Charlotte
37 Richmond
38 Orange
39 Chicopee
40 East Bridgewater
41 Fall River
42 Halifax
43 Randolph



RECs and SB 1078

- REC trading will allow California to meet the RPS goals efficiently with least cost to the ratepayer
  - Allows load serving utilities to tailor programs to precisely meet regulatory requirements
  - Allows market to efficiently allocate environmental benefits based on relative costs of green resources
    - No explicit technology bias among green technologies
    - Aids in Greenhouse Gas reduction
  - Integration with WREGIS will ensure financial integrity based on objective data for validation of RECs
  - Transparency of trading system provides instantaneous data for LSE on progress towards RPS goals

RECs and the CA Power System

- Tradable RECs are consistent with in-state delivery requirements under the RPS resource eligibility definitions
- Examples:
  - MA RPS has specific in-state restrictions in program design
  - CT RPS currently restricts eligible RECs to NEPOOL generation
  - TX barriers to non ERCOT REC transactions
- Tradable RECs can provide major benefits in CA
  - Geographical limitations of the resources may not coincide with utility requirements, e.g. SDG&E's current need for renewables
  - Wheeling arrangements for renewables may prove difficult or prohibitively expensive
  - Trading RECs is most efficient solution
- Trading system can be defined as public policy evolves
  - Development of WREGIS allows enhanced validation of out-of-state RECs
  - Reciprocal treatment with WREGIS compliant jurisdictions may provide benefits to CA power consumer over time

Market Price Referent

- Tradeable REC systems have used price caps/penalty charge for consumer cost stability (called a "compliance fee" in MA) instead of Market Price Referent
- Price cap is specified as penalty charge to utility non-performance
  - Typically about 5¢/kWh (MA - 5¢; CT - 5.5¢; TX - 5¢ or 200% of the average market value of credits for that compliance period)
- Prices for RECs are set by market forces of renewable supply and demand
  - RPS typically mandate that utility directly source a certain percentage of its total annual energy sales from renewable generation, or purchase an equivalent number of kWh in the form of REC's
  - As REC price reaches price cap/penalty charge ceiling - a utility more likely to pay price cap/penalty charge due to transaction costs

RECs and Public Benefit Programs

- Tradeable REC mechanism accommodate public benefit programs through contractual arrangements between granting bodies and generators
  - Generators own RECs — may trade all or part for benefits if public goods charge funds are used for supplemental energy payments
  - Allows flexibility in policy implementation mechanisms
- Voluntary Program green pricing is compatible with T-REC program
  - Private buyers should demand T-RECs as part of green pricing package

REC Ownership

- Clear that RECs are a property right of generator
  - FERC decision indicated that unless transferred by contract and subject to state law, **RECs belong to the generator**
    - Developer assumed initial risk of operations
    - Burden of more stringent environmental compliance been borne by generator
    - Benefits should accrue to the generator
- Clean Power is concerned about suggestions that California regulators may expropriate RECs owned by GRS without fair compensation
  - REC sales provide $ for expansion of existing plant
  - Could create investment chill for renewables
  - May create issues under Chapter 11 of NAFTA for GRS
- **Best solution must include the rights of property owners**